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Private Fundraising: 2009 workplan and proposed budget**

Summary

The Private Fundraising 2009 workplan and proposed budget is presented to the Executive Board for approval. In 2009, Private Fundraising and Partnerships (PFP) will generate a projected sum of $682.3 million in net consolidated income, of which $349.4 million will be for regular resources and $332.9 million for other resources. This will be achieved with expenditures of $121.9 million. The Executive Board is requested to adopt the draft decisions relating to the budget proposal contained in paragraph 45.

* E/ICEF/2009/1.
** The document was submitted late because of the need for internal consultation.

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I. Overview

A. Introduction

1. The Private Fundraising and Partnerships (PFP) division, established in 2008, incorporates the income-generation support functions of the previous Private Sector Division and the National Committee for UNICEF support function in advocacy, communication, governance and relationship management previously handled by the Regional Office for Europe (Geneva Regional Office). Core work on partnership and advocacy is financed by the UNICEF biennial support budget for 2008-2009 (document E/ICEF/2008/AB/L.1) and is not addressed in this document.

2. Against a backdrop of uncertain global economic conditions and volatile financial and currency markets, 2009 will be a year of some uncertainty for fund-raising. It will also be a year of increased collaboration among National Committees, country offices and headquarters, working towards the goals set in the global private sector fund-raising and the global cards and gifts strategies, and of renewal of the relationship between UNICEF and its National Committees.

3. In 2008, the total net consolidated income is expected to reach $700 million. This is $46.4 million less than the approved budget and $13.9 million less than 2007 actual results. The decline is driven by two significant events: (a) the current economic crisis and the fluctuation of major currencies against the United States dollar; and (b) the negative impact of events on UNICEF fund-raising in a number of markets, in particular Germany.

4. While the dimensions of the current financial crisis remain uncertain, its impact on the private income for UNICEF could be considerable — both as a result of a fall in private giving and from the potential impact of exchange rate movement.

5. In preparing the new budget, PFP has consulted with the largest National Committees, researched fund-raising outcomes during previous crises and sought advice and analysis from a wide body of professional fundraisers and experts. History and analysis indicate that children's causes would continue to receive donor support during uncertain times. While corporate and foundation income is likely to fall, individual donor giving (the source of 60 per cent of UNICEF private income) should be less affected.

6. PFP staff and the National Committees are monitoring income trends on a monthly basis, and contingency plans, designed to manage and further reduce costs, are being developed in the event that a significant revision of income and costs may become necessary during the course of 2009. Management will keep the Executive Board apprised of any such developments.

B. Objectives for 2009

7. For 2009, the PFP financial objective is to achieve a net consolidated income of $682.3 million. This is 2.5 per cent lower than the 2008 latest estimates, acknowledging the uncertain impact of the global financial crisis on UNICEF private income generation. The amount comprises $349.4 million for regular resources (3.4 per cent higher than the 2008 latest estimates) and $332.9 million for other resources (8 per cent lower than the 2008 latest estimates).

8. From a non-financial perspective, PFP engagement with National Committees will be enhanced in 2009. The implementation of a global governance framework and the ongoing transparency project work with National Committees will continue. The Cooperation Agreement, which provides the framework governing the relationship with National Committees, is being revised. Strategic efforts to remodel the greeting cards and gifts business will continue (see Annex III, section IV, C), and a country office fund-raising strategy will be finalized.

9. In addition, the PFP will continue to contribute to the development of a strategic framework for collaborative relationships and partnerships. Existing regulations and rules, as they apply to PFP, will be reviewed for updating and ensuring they are in line with the International Public Sector Accounting Standards (IPSAS).

C. Consolidated income and expense projections for 2009

10. Two formats of the PFP income statement are included in the present work plan and budget document: table 1 outlines the PFP income statement and table 1A delineates the net income after allocation of operating expenses by revenue-generating activity (management statement — supporting table 1).

11. Table 1 is prepared in accordance with statutory requirements and reflects results contained in the PFP financial report submitted to the Executive Board. Table 1A is a management statement showing the PFP operating results of its two revenue-generating activities: fund-raising and sales of cards and gifts. For both central fund-raising and support services, this statement presents the allocation of costs between fund-raising and sales to measure the net contribution of each activity.

12. As indicated in table 1, the PFP net consolidated income for 2009 is projected at $682.3 million. Without allocating operating expenses between the two revenue-generating activities, the projected 2009 net PFP income (regular resources) of $349.4 million comprises net operating income from private sector fund-raising of $328.1 million and from card and gift sales of $41.8 million, offset by the cost of investment funds of $20.5 million to support fund-raising and sales initiatives.

13. Table 1A shows that in 2009, 86 per cent ($301.1 million) of the regular resources income is attributable to fund-raising activities, and 14 per cent ($48.3 million) to sales of cards and gifts.

14. In fund-raising, the net operating income (before investment funds) for regular resources for 2009 is projected at $318.8 million, compared to the 2008 latest estimate of $310.7 million (see table 1A). In addition, for 2009, $332.9 million of other resources income is projected.

15. In card and gift sales, for 2009, the sales volume is projected at 89 million cards, and gross proceeds are projected at $147 million (see table 1). This is an increase of 1 million cards in sales volume and an increase by $7 million in gross proceeds over the 2008 latest estimates. After allocating operating expenses, the net operating income from card and gift sales (before investment funds) for 2009 is projected to be $51.1 million, compared to the 2008 latest estimates of $47.9 million (see table 1A).

16. Other income for 2009 is expected to grow by $1.1 million, to reach $15.9 million. This income includes revenues on card sales by Hallmark in the United States market, as well as royalties from the sale of licensed gifts, the sale of National Committee products, donations generated from brochure and order forms, and bank interest.

17. Consolidated expenditure for 2009 is projected at $121.9 million (see table 2). This is $2.4 million (1.9 per cent) less than the approved 2008 budget and $3.2 million (2.7 per cent) more than the 2008 latest estimate. Aiming to protect the income of UNICEF, PFP has taken steps within the new budget to address the risks associated with the anticipated softening of revenue from private donors. In this budget proposal, the addition of new posts has been frozen and travel, research and development, and other operating costs have been scaled back significantly, compared to present levels. Overall, 2009 planned expenses are now $2.4 million below the 2008 approved budget level. With most income in non-US dollar currencies and costs mainly in US dollars, exchange rate fluctuations have a significant impact on UNICEF cost-income ratios. The 2009 projected expenditure includes the following increases:

(a) Higher operating expenses of $1.7 million (including an inflation assumption of 4 per cent on salaries and incremental investment to re-engineer the card and gift operations);

(b) Higher cost of goods delivered ($1.6 million), matching the projected growth in sales.

D. Human resources

18. The number of posts will remain constant at 231 compared to latest estimates, but constitutes a decrease of 11 posts, compared to the approved 2008 budget.

Table 1. Private Fundraising and Partnerships: Income statement

– 2007 actual, 2008 approved budget, 2008 latest estimates and 2009 proposed budget –

(In millions of United States dollars)

	2007 Actual	%	2008 Approved budget a/	%	2008 Latest estimate	%	2009 Proposed	%	Variance 2009 vs. 2008 Latest estimate $	%
Gross proceeds - card and gift sales	156.2		168.0		140.0		147.0		7.0	5.0
Less: Retention/commissions and direct expenses at country offices	58.6	37.5	59.9	35.7	50.5	36.1	52.8	35.9	2.3	4.6
Net proceeds - card and gift sales	97.6		108.1		89.5		94.2		4.7	5.2
Less: Cost of goods delivered	29.2	18.7	33.4	19.9	29.2	20.9	30.7	20.9	1.5	5.1
Operating expenses	25.6	16.4	35.1	20.9	34.8	24.9	36.6	24.9	1.8	5.2
Provision for doubtful accounts	2.2		1.0		1.0		1.0		-	-
Add: Other income	22.6		22.0		14.8		15.9		1.1	7.4
	63.2	40.5	60.6	36.1	39.3	28.1	41.8	28.4	2.5	6.3
Net operating income - Private fundraising	343.5		356.1		319.3		328.1		8.8	2.8
Less: Investment funds	19.2		21.4		20.6		20.5		(0.1)	(0.5)
Total net operating income	387.5		395.3		338.0		349.4		11.4	3.4
Less: Exchange rate adjustment	(3.5)									
Net income - regular resources	391.0		395.3		338.0		349.4		11.4	3.4
Add: Private fundraising other resources (OR) b/	322.9		351.1		362.0		332.9		(29.1)	(8.0)
Net consolidated income	713.9		746.4		700.0		682.3		(17.7)	(2.5)
										%
Card sales volume (millions) c/	*86*		*96*		*88*		*89*		*1*	1.1

a/ As approved by the Executive Board (decision 2008/3, paragraph 2)
b/ Private fundraising OR are reported at gross, as presented in UNICEF financial statements.
c/ Figures for 2007 actual card sales volume are provisional.

Table 1A. Net income after allocation of operating expenses by revenue-generating activity

– 2007 actual, 2008 approved budget, 2008 latest estimate and 2009 proposed budget –

Management statement - supporting table 1

(In millions of United States dollars)

	2007 Actual			2008 Approved			2008 Latest estimate			2009 Proposed		
	Card and gift sales	Private-sector fundraising	Total	Card and gift sales	Private fundraising	Total	Card and gift sales	Private fundraising	Total	Card and gift sales	Private fundraising	Total
Gross proceeds	156.2		156.2	168.0		168.0	140.0		140.0	147.0		147.0
Less: Retention/commissions and direct expenses at country offices	58.6		58.6	59.9		59.9	50.5		50.5	52.8		52.8
Net proceeds	97.6	359.8	457.4	108.1	383.1	491.2	89.5	346.3	435.8	94.2	354.4	448.6
Less: Cost of goods delivered	29.2		29.2	33.4		33.4	29.2		29.2	30.7		30.7
	68.4	359.8	428.2	74.7	383.1	457.8	60.3	346.3	406.6	63.5	354.4	417.9
Less: Marketing expenses	6.1	16.3	22.4	9.5	27.0	36.5	9.5	27.0	36.5	9.8	26.3	36.1
	62.3	343.5	405.8	65.2	356.1	421.3	50.8	319.3	370.1	53.7	328.1	381.8
Less: Support services	13.5	6.0	19.5	17.3	8.3	25.6	17.2	8.1	25.3	18.0	8.8	26.8
Provision for doubtful accounts	0.7	1.5	2.2	0.5	0.5	1.0	0.5	0.5	1.0	0.5	0.5	1.0
	48.1	336.0	384.1	47.4	347.3	394.7	33.1	310.7	343.8	35.2	318.8	354.0
Add: Other income	13.5	9.1	22.6	22.0		22.0	14.8		14.8	15.9		15.9
Net operating income before investment funds	61.6	345.1	406.7	69.4	347.3	416.7	47.9	310.7	358.6	51.1	318.8	369.9
Less: Investment funds	1.9	17.3	19.2	3.4	18.0	21.4	2.8	17.8	20.6	2.8	17.7	20.5
Total net operating income	59.7	327.8	387.5	66.0	329.3	395.3	45.1	292.9	338.0	48.3	301.1	349.4
Less: Exchange rate adjustment	(1.0)	(2.5)	(3.5)			-						-
Net income - regular resources	60.7	330.3	391.0	66.0	329.3	395.3	45.1	292.9	338.0	48.3	301.1	349.4
Add: Other resources		322.9	322.9		351.1	351.1		362.0	362.0		332.9	332.9
Net consolidated income	60.7	653.2	713.9	66.0	680.4	746.4	45.1	654.9	700.0	48.3	634.0	682.3

Operating expenses												
Marketing expenses	6.1	16.3	22.4	9.5	27.0	36.5	9.5	27.0	36.5	9.8	26.3	36.1
Support services	13.5	6.0	19.5	17.3	8.3	25.6	17.2	8.1	25.3	18.0	8.8	26.8
Provision for doubtful accounts	0.7	1.5	2.2	0.5	0.5	1.0	0.5	0.5	1.0	0.5	0.5	1.0
Investment funds	1.9	17.3	19.2	3.4	18.0	21.4	2.8	17.8	20.6	2.8	17.7	20.5
Total operating expenses and investment funds	22.2	41.1	63.3	30.7	53.8	84.5	30.0	53.4	83.4	31.1	53.3	84.4
% of total operating expenses and investment funds	35.1	64.9	100.0	36.3	63.7	100.0	36.0	64.0	100.0	36.8	63.2	100.0

Table 2. Summary of expenditures

– 2007 actual, 2008 approved budget, 2008 latest estimate and 2009 proposed budget –

(In millions of United States dollars)

	2007 Actual	2008 Approved budget a/	2008 Latest estimate	2009 Proposed	Variance 2009 vs. 2008 Latest estimate	
					$	%
Marketing						
Commissions - country offices	1.2	1.7	1.5	1.5	-	-
Cost of goods delivered	29.2	33.4	29.1	30.7	1.6	5.5
Operating expenses	29.0	42.2	42.2	42.4	0.2	0.5
Subtotal	59.4	77.3	72.8	74.6	1.8	2.5
Support services						
Operating expenses	19.5	25.6	25.3	26.8	1.5	5.9
Investment funds	19.2	21.4	20.6	20.5	(0.1)	(0.5)
Total expenditures	98.1	124.3	118.7	121.9	3.2	2.7

a/ As approved by the Executive Board (decision 2008/3, para 2).

II. Marketing (fund-raising, cards and gifts, National Committee relations and communication)

A. Introduction

19. PFP supports resource mobilization from the private sector, in collaboration. Fund-raising from individual and corporate donors, and sales of cards and gifts, are the two main sources of revenue. Within PFP, several teams work together to support the resource mobilization activities carried out in 70 countries around the world: Central Fundraising Services; Cards and Gifts; National Committee Relations; and Communication. The term 'marketing' used in the tables includes all of these groups.

20. Central Fundraising Services provides fund-raising expertise and leadership. This group includes product development and fund-raising services specialists, a centre for strategic market knowledge, a donor-programme matching team, and an innovation unit. Corporate and foundation fund-raising and country office fund-raising are also part of the Central Fundraising Services team.

21. Cards and Gifts provide strategic leadership and operational support to National Committees and country offices to generate revenue from the sales of UNICEF cards and gifts. This group includes a product development unit responsible for the creative direction and identity of UNICEF collections and marketing material, and a central marketing and sales team responsible for all the elements of the marketing mix.

22. National Committee Relations is the primary UNICEF "port of call" for National Committees. Five teams, clustered by region, provide strategic support to National Committees to ensure attainment of common goals in resource mobilization activities as well as in advocacy and communications. This team will lead the Joint Strategic Planning (JSP) process with National Committees.

23. The Communication team supports National Committee advocacy and fund-raising activities, and serves as a link between National Committees, country offices and headquarters for information management on regular programme activities and emergencies. The unit also helps to direct and manage the effective positioning of the UNICEF brand in National Committee countries, and ensures coherent messaging.

B. Objectives for 2009

24. The financial objectives for 2009 are as follows:

(a) Net consolidated income from fund-raising of $634 million (including $301.1 million for regular resources and $332.9 million for other resources) and $48.3 million from sales of cards and gifts;

(b) Net proceeds from fund-raising for regular resources of $354.4 million (2.3 per cent higher than the 2008 latest estimate);

(c) Gross proceeds from product and gift sales of $147 million (5 per cent higher than the 2008 latest estimate), with a card sales volume of 89 million cards (an increase of 1.1 per cent over the 2008 latest estimate).

C. Strategies for 2009

25. Private fund-raising income-generation strategies are directed towards ensuring continued effective fund-raising in the light of the current financial crisis. Analysing trends and current practices and monitoring income levels by stream will remain major activities in 2009. The Central Fundraising Services team will provide global fund-raising expertise and leadership in UNICEF in a number of ways:

(a) Collecting, creating, sharing and deploying learning from previous financial crises;

(b) Leading the development of fund-raising initiatives and innovation;

(c) Developing specialized technical fund-raising skills across the organization, including corporate and foundations management;

(d) Enabling strong donor relations, with a focus on retaining and further engaging existing donors;

(e) Guiding strategic allocation of private income to priority areas.

26. The National Committee Relations unit will help ensure an effective utilization of available synergies among fund-raising, advocacy and education for development and communication.

27. Coherence of internal Intranet-based tools will be further enhanced, to ensure consistent messaging for communication, fund-raising, sales, and advocacy activities.

28. The key sales strategies for 2009 are as follows:

(a) Adoption and roll-out of a new 'partnership' model that will pursue a comprehensive rationalization of internal operational activities while exploring new licensing opportunities aimed at maximizing income at the country level and also entering into new high-income potential market segments and channels;

(b) Strengthening of the strategic role for mobilization of UNICEF resources and for raising awareness in four major areas: income generation; public engagement; volunteer engagement; and image-building.

D. Analysis of the 2009 proposed budget

29. Total operating expenses to support the fund-raising and sales activities in 2009 are projected to marginally increase to $43.9 million (see table 3). The small growth is due to several factors, including the implementation of the new organizational structure and the filling of vacant posts, with a corresponding increase in related operating expenses, offset by the partial transfer of fund-raising-related costs of the country offices to the local budgets ($1.9 million).

30. PFP will continue to provide National Committees and country offices with investment funds to support their fund-raising initiatives for UNICEF. In 2009, investment funds amounting to $20.5 million are proposed, a figure that is $100,000 (0.5 per cent) lower than the latest estimate for 2008. The investment funds proposed for 2009 reflect the funding requirements for new initiatives, which, if successful, will offer above-average returns on investment.

Table 3. Marketing expenses

– 2007 actual, 2008 approved budget, 2008 latest estimate and 2009 proposed budget –

(In thousands of United States dollars)

Expenditures	2007 Actual	2008 Approved budget	2008 Latest estimate	2009 Proposed budget	Changes 2009 vs. 2008 latest estimate	
					$	%
Commissions - country offices	1,211	1,709	1,453	1,534	81	5.6
Operating expenses						
International posts	5,975	10,433	9,784	12,105	2,321	23.7
Local posts	1,962	3,025	3,100	3,412	312	10.1
Other post-related costs a/	278	1,005	1,005	167	(838)	(83.4)
Staff training	97	36	11	11	-	-
Other staff costs b/	1,391	2,362	3,147	3,231	84	2.7
Consultants	503	1,335	1,383	1,450	67	4.8
Travel	1,084	1,853	1,743	1,502	(241)	(13.8)
Other operating expenses c/	601	1,037	1,021	1,119	98	9.6
Furniture and equipment d/	75	127	127	165	38	29.9
Research and development	2,555	4,162	4,006	3,930	(76)	(1.9)
Country office expenses - product sales	4,411	4,738	4,738	5,259	521	11.0
Country office expenses - private fundraising	6,018	8,795	8,936	7,048	(1,888)	(21.1)
Regional support center expenses	1,830	2,318	2,209	1,979	(230)	(10.4)
Provision for doubtful accounts	2,192	1,000	1,000	1,000	-	-
Subtotal operating expenses	28,972	42,226	42,210	42,378	168	0.4
Total expenses	30,183	43,935	43,663	43,912	249	0.6

a/ Terminination indemnity and reimbursement of taxes.
b/ Short-term assistance, staff welfare and overtime.
c/ Contractual services, rent and maintenance of premises, rental and maintenance of furniture, equipment, communications, supplies and materials, hospitality and miscellaneous services.
d/ Office equipment, computer equipment and computer software.

III. Support services

A. Introduction

31. The Support Services group provides financial and administrative support for PFP and includes the Deputy Director's Office; Procurement; Finance; and Policy and Monitoring.

32. The units responsible for the production, logistics and distribution of cards and products have been transferred to the Cards and Gifts team. For continuity and comparison purposes, however, the budgets of these units are still included in table 4 under Support Services. This, however, will be reviewed in the future, along with the implementation of IPSAS.

33. A number of functions for PFP — human resources, administration and information technology (IT) — are provided through Common Operations Services (COS) in Geneva, funded through the UNICEF support budget. The COS administration and IT functions report to the PFP Deputy Director's Office. PFP is charged an apportioned part of these COS costs.

34. New mechanisms for implementing effective oversight, follow-up of cooperation agreements, and development of collaborative tools between UNICEF and National Committees are being managed by the new Policy and Monitoring section.

B. Objectives for 2009

35. The objectives for 2009 are as follows:

(a) Harmonize and enhance strategic planning, budgeting and business analysis procedures and systems, to provide more robust financial and analytical support to National Committees and country and technical teams;

(b) Coordinate and manage governance and monitoring policies, principles and processes for optimizing resources and outcomes within the responsibilities of PFP;

(c) Strengthen and streamline support and collaboration with the National Committee Relations and Country Support teams for an effective JSP process and for improved forecasting and results-monitoring of fund-raising and sales in National Committees and country offices;

(d) Provide effective and efficient financial support and monitoring of all private sector fund-raising activities and reported funds due UNICEF from National Committees, country offices and other partners;

(e) Review the current Financial Regulations and Rules to ensure compliance with IPSAS.

C. Strategies for 2009

36. The following strategies aim to achieve the above-mentioned objectives:

(a) Ensure that new strengthened structures are supported by effective, revised business processes and procedures, particularly for planning and budgeting, including support to JSP preparation and new systems;

(b) Fully implement the revised responsibilities and procedures for forecasting and monitoring remittances from National Committees, ensuring timely collection of all dues to UNICEF;

(c) Review and streamline financial procedures, monitoring mechanisms and guidelines, to support and comply with revised fund-raising strategies and activities of UNICEF country offices and to ensure compatibility with IPSAS;

(d) Promote fraud prevention and risk management through the use of self-assessment and audit principles, in collaboration with National Committees and UNICEF regional offices.

D. Analysis of the proposed budget for 2009

37. Total expenses for support services are projected at $26.8 million (see table 4), an increase of $1.5 million (6 per cent) compared to the 2008 latest estimate. The growth is due to a higher consultancy budget, strengthened internal and partner governance and oversight, and the inflationary factor. The increase in staff costs is partially offset by a decrease in other post and non-post costs.

Table 4. Support services - expenses

– 2007 actual, 2008 approved budget, 2008 latest estimates and 2009 proposed budget –

(In thousands of United States dollars)

Expenditures	2007 Actual	2008 Approved budget	2008 Latest estimate	2009 Proposed budget	Changes 2009 vs. 2008 Latest estimate $	Changes 2009 vs. 2008 Latest estimate %
International posts	4,666	5,746	5,658	5,814	156	2.8
Local posts	3,294	3,838	3,838	4,005	167	4.4
Other post-related costs a/	289	521	521	361	(160)	(30.7)
Staff training		130	130	131	1	0.8
Other staff costs b/	1,285	1,709	1,797	1,919	122	6.8
Consultants	370	152	165	1,469	1,304	790.3
Travel	253	461	417	389	(28)	(6.7)
Other operating expenses c/	8,664	11,606	11,653	11,333	(320)	(2.7)
Furniture and equipment d/	56	99	99	106	7	7.1
Research and development	27	200	192	170	(22)	(11.5)
Regional support center expenses	549	1,123	805	1,121	316	39.3
Total expenses	19,453	25,585	25,275	26,818	1,543	6.1

a/ Termination indemnity and reimbursement of taxes.
b/ Short-term assistance, staff welfare and overtime.
c/ Contractual services, rental and maintenance of premises, rental and maintenance of furniture, equipment, communications, supplies and materials, hospitality and miscellaneous services.
d/ Office equipment, computer equipment, computer software and plant equipment.

IV. Regional support centres and UNICEF country offices

A. Outlook for 2008

38. Total gross proceeds generated by UNICEF country offices from private sector fund-raising activities in 2008 are projected at $64.9 million (see table 5) — an increase of $13 million (25 per cent) over the 2007 results, largely driven by growth in private sector fund-raising activities, which increased by $13.3 million (34 per cent). Total net operating income before investment funds expenditure is projected to be $43.7 million (see table 5), up 26.2 per cent over 2007, driven by a significant focus on fund-raising in country offices.

B. Objectives for 2009

39. The objectives for 2009 are as follows:

(a) Total gross proceeds of $80.2 million, including $65.1 million from fund-raising and $15.1 million from sales. This represents a growth of 23.7 per cent, compared to the 2008 latest estimate, with fund-raising revenues expected to increase by 24.7 per cent and sales by 19.2 per cent;

(b) Total net operating income after deduction of all PFP covered expenses (after investment funds) is projected at $52.3 million. It should be noted, however, that certain local fund-raising costs are no longer reported as part of the PFP budget, as they are being funded from the income derived in the country offices. For several reasons, this policy will be revisited in 2009.

C. Strategies for 2009

40. The following fund-raising strategies aim to achieve the above-mentioned objectives:

(a) Strategic focus on priority countries, based on established criteria;

(b) Establishment and implementation of the key performance indicators, to be utilized in decisions to allocate resources;

(c) Implementation of the new fund-raising strategies with relevant business processes, procedures and operational support.

41. The following strategies will be applied to cards and gifts sales:

(a) Increase retail distribution;

(b) Test new outreach opportunities provided by e-commerce;

(c) Leverage synergies with fund-raising on consumer as well as corporate sales;

(d) Increase the use of cards and gifts inventories.

D. Analysis of the 2009 proposed budget

42. Total operating expenses for UNICEF country offices and PFP regional support centres in 2009 are projected at $15.4 million, a decrease of $1.3 million compared to the 2008 latest estimate. This decrease in the PFP budget is explained by the phased transfer of fund-raising costs to country offices. The focus remains on the recruitment of new donors and building donor loyalty in countries with high fund-raising potential. Investment funds for fund-raising activities will be in line with agreed strategies. Operating expenses for cards and gifts in 2009, as a percentage of gross proceeds, are planned to be nearly in line with 2007 actual operating expenses.

Table 5. Regional support centres and UNICEF country offices: Income and expenditures
– 2007 actual, 2008 approved budget, 2008 latest estimates and 2009 proposed budget –

(In thousands of United States dollars)

	2006 Actual	2007 Actual				2008 Approved budget				2008 Latest estimate				2009 Proposed budget				Changes 2009 vs. 2008 Latest estimate	
	C&G sales	C&G sales	PSFR	O&F	Total	C&G sales	PSFR	O&F	Total	C&G sales	PSFR	O&F	Total	C&G sales	PSFR	O&F	Total	$	%
Volume of card sales (in millions) *		10.6	-	-	10.6	11.8	-	-	11.8	9.0	-	-	9.0	9.0	-	-	9.0	0.0	-
Proceeds (RR + OR) **	11,923	12,985	38,842		51,827	14,300	55,210		69,510	12,701	52,160		64,870	15,139	65,074		80,213	15,343	23.7
Less: Commissions paid to consignees	1,137	1,179			1,179	1,709			1,709	1,453			1,453	1,534			1,534	81	5.6
Net proceeds	10,786	11,806	38,842	-	50,648	12,591	55,210	-	67,801	11,248	52,160	-	63,417	13,605	65,074	-	78,679	15,262	24.1
Costs of goods delivered	3,211	3,290			3,290	3,003			3,003	3,008			3,008	3,939			3,939	931	31.0
Operating expenses:																			
International posts	545	461	544	346	1,351	520	1,253	669	2,442	520	766	441	1,727	397	963	676	2,036	309	17.9
Local posts	1,613	1,763	2,270	68	4,101	1,906	1,791	88	3,787	1,908	1,906	89	3,903	2,106	1,115	94	3,315	(588)	(15.1)
Other post related costs a/	4	9		-	9	4			4	4	31	-	35	11	144	-	155	120	342.9
Staff training	17	32	90	31	153	106	239	65	410	106	251	64	421	39	191	62	292	(129)	(30.6)
Other staff costs b/	662	820	1,255	2	2,077	991	1,914	71	2,976	991	2,055	78	3,124	1,216	1,219	7	2,442	(682)	(21.8)
Consultants	90	153	127	-	280	99	111		210	99	74	-	173	187	122	-	309	136	78.6
Travel	169	209	384	59	652	182	462	23	667	182	486	37	705	182	388	125	695	(10)	(1.4)
Other operating expenses c/	1,348	1,476	1,263	42	2,781	1,611	2,515	136	4,262	1,611	2,674	94	4,379	1,804	2,890	155	4,849	470	10.7
Furniture and equipment d/	149	37	53	1	91	84	121	71	276	84	101	2	187	45	25	2	72	(115)	(61.5)
Research and development	176	230	1,083		1,313	230	1,709		1,939	230	1,804	-	2,034	155	1,087	-	1,242	(792)	(38.9)
Total operating expenses	4,773	5,190	7,069	549	12,808	5,735	10,115	1,123	16,973	5,735	10,148	805	16,688	6,142	8,144	1,121	15,407	(1,281)	(7.7)
Other income	70	89	-	-	89	157	-	-	157	0	-	-	0	0	-	-	0	0	4.5
Net operating income before investment funds	2,672	3,415	31,773	(549)	34,639	4,010	45,095	(1,123)	47,982	2,505	42,021	(805)	43,721	3,524	56,930	(1,121)	59,333	15,612	35.7
Percentage of gross proceeds	24	26	82		67	28	82		69	20	81		67	23	87		74		
Less: Investment funds	74	180	4,940	-	5,120	263	8,496	-	8,759	126	7,000	-	7,126	78	7,000	-	7,078	(48)	(0.7)
Net operating income after investment funds	2,798	3,235	26,833	(549)	29,519	3,747	36,599	(1,123)	39,223	2,379	35,021	(805)	36,595	3,446	49,930	(1,121)	52,255	15,660	42.8
Percentage of gross proceeds	23	25	69		57	26	66		56	19	67		56	23	77		65		
Summary of expenditures:																			
Commissions	1,137	1,179	-	-	1,179	1,709	-	-	1,709	1,453	-	-	1,453	1,534	-	-	1,534	81	5.6
Cost of goods delivered	3,211	3,290	-	-	3,290	3,003	-		3,003	3,008	-	-	3,008	3,939	-		3,939	931	31.0
Total operating expenses (international posts, local posts, staff training, other staff costs, travel, other operating expenses, furniture and equipment, research and development, bad debts)	4,773	5,190	7,069	549	12,808	5,735	10,115	1,123	16,973	5,735	10,148	805	16,688	6,142	8,144	1,121	15,407	(1,281)	(7.7)
Investment funds	74	180	4,940		5,120	263	8,496		8,759	126	7,000		7,126	78	7,000		7,078	(48)	(0.7)
Total Expenditure	9,195	9,839	12,009	549	22,397	10,710	18,611	1,123	30,444	10,322	17,148	805	28,275	11,693	15,144	1,121	27,958	(317)	(1.1)

PSFR = Private fundraising; O&F = Operations and Finance; C&G sales = Card and Gift sales; RR = regular resources; OR = other resources

a/ Termination indemnity.

b/ Short-term assistance, staff welfare and overtime.

c/ Contractual services, rent and maintenance of premises, rental and maintenance of furniture, equipment, communication supplies and materials, hospitality, information support services and miscellaneous services.

d/ Office equipment, computer equipment and computer software.

* Figures for 2007 actual card volume are provisional.

** PSFR other resources (OR) are reported at gross, as also in UNICEF financial statements.
Expenses from OR in country offices are not deducted: 2008 approved budget - $1.3 million; 2008 latest estimates - $3.1 million; 2009 proposed budget - $6.6 million.

V. PFP medium-term plan, 2010-2013

43. The medium-term plan for PFP for the period 2010-2013 (see table 6) is based on market trends, the previous years' financial results, and strategic plans developed and implemented in cooperation with National Committees and UNICEF country offices in PFP priority countries.

44. The medium-term plan outlines the following PFP objectives, to be achieved by 2013:

(a) Net consolidated income for UNICEF from PFP of $966.5 million, comprising $492.4 million in regular resources and $474.1 million in other resources;

(b) Net operating income from private sector fund-raising of $467.3 million for regular resources;

(c) Net operating income from private sector fund-raising of $474.1 million for other resources;

(d) Net operating income from sales of cards and gifts of $50.1 million for regular resources;

(e) Gross proceeds from card and gift sales of $165.4 million;

(f) Card sales volume of 93 million.

Table 6: Private Fundraising and Partnerships: medium-term plan, 2010–2013

– 2007 actual, 2008 approved budget, 2008 latest estimates, 2009 proposed budget and 2010-2013 projections –

(In millions of United States dollars)

	2007 Actual	2008 Approved budget a/	2008 Latest estimate	2009 Proposed	2010	2011	2012	2013
					Medium-term projections			
Gross proceeds - card and gift sales	156.2	168.0	140.0	147.0	151.4	155.9	160.6	165.4
Less: Retention/commissions and direct expenses at country offices	58.6	59.9	50.5	52.8	54.3	55.9	57.6	59.3
Ne proceeds - product sales	97.6	108.1	89.5	94.2	97.1	100.0	103.0	106.1
Less: Cost of goods delivered	29.2	33.4	29.2	30.7	31.6	32.6	33.5	33.7
Operating expenses	25.6	35.1	34.8	36.6	37.7	38.8	40.0	41.2
Provision for doubtful accounts	2.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Add: Other income	22.6	22.0	14.8	15.9	16.4	17.5	18.7	19.9
Net operating income - PFP card and gift sales	63.2	60.6	39.3	41.8	43.2	45.1	47.2	50.1
Net operating income - Private fundraising	343.5	356.1	319.3	328.1	351.1	386.2	424.8	467.3
Less: Investment funds	19.2	21.4	20.6	20.5	22.0	23.0	24.0	25.0
Net operating income	387.5	395.3	338.0	349.4	372.3	408.3	448.0	492.4
Less: Exchange rate adjustment	(3.5)							
Net income - regular resources	391.0	395.3	338.0	349.4	372.3	408.3	448.0	492.4
Add: Private fundraising - other resources	322.9	351.1	362.0	332.9	356.2	391.8	431.0	474.1
Net consolidated income	713.9	746.4	700.0	682.3	728.5	800.1	879.0	966.5
Card sales volume (millions)	*86*	*96*	*88*	*89*	*91*	*93*	*95*	*97*

a/ As approved by the Executive Board (decision 2008/3, paragraph 2)

Table 7. Range of budgeted income and expenditures
– fiscal year 1 January - 31 December 2009 –

(In millions of United States dollars)

	I Low projection	II Medium projection	III High projection
Budgeted income			
Gross proceeds - product sales	144.1	147.0	149.9
Deduct: National Committees' retention a/	45.1	46.0	47.0
Net proceeds	98.9	101.0	103.0
Add: Other income - net (table 1A)	15.3	15.9	16.5
Net proceeds - product sales	114.2	116.9	119.5
- private fundraising - regular resources (table 1A)	340.2	354.4	368.6
Total net proceeds - regular resources	454.4	471.3	488.1
Budgeted expenditures			
Commissions - country offices	1.4	1.5	1.6
Cost of goods delivered	30.1	30.7	31.3
Marketing expenditures	41.9	42.4	43.4
Support Services	26.4	26.8	27.8
Investment funds	20.3	20.5	21.3
Total expenditures - consolidated (table 2)	120.1	121.9	125.5
Net consolidated income - regular resources (table 1)	334.3	349.4	362.6
Add: Other resources - private fundraising (table 1)	319.6	332.9	346.2
Net consolidated income - regular resources and other resources	**653.9**	**682.3**	**708.8**

a/ Excludes country office commissions - budgeted in expenditures.

VI. Draft decisions

45. The draft decisions relating to the Private Fundraising proposed budget for 2009 are presented below for Executive Board approval.

A. Private Fundraising and Partnerships budgeted expenditures for the 2009 season

The Executive Board

1. *Approves* for the fiscal year 2009 (1 January to 31 December) budgeted expenditures of $121.9 million as detailed below and summarized in column II of table 7 to document E/ICEF/2009/AB/L.1:

	(In millions of United States dollars)
Commissions — field offices	1.5
Cost of goods delivered	30.7
Operating expenses — marketing	42.4
Operating expenses — support services	26.8
Investment funds	20.5
Total expenditures, consolidated	**121.9**

2. *Authorizes* UNICEF:

(a) To incur expenditures, as summarized in column II of table 7 to document E/ICEF/2009/AB/L.1, and to increase expenditures, up to the level indicated in column III of the same table, should the apparent proceeds from fund-raising or card and gift sales increase to the levels indicated in column III; and accordingly, to reduce expenditures below the level indicated in column II, to the extent necessary, should the net proceeds decrease;

(b) To redeploy resources the various budget lines (as detailed in paragraph 1 above), up to a maximum of 10 per cent of the amounts approved;

(c) To spend an additional amount between Executive Board sessions, when necessary, up to the amount caused by currency fluctuations, to implement the 2009 approved workplan.

B. Budgeted income for the 2009 season

The Executive Board

Notes that for the period 1 January to 31 December 2009, Private Fundraising and Partnerships net proceeds are budgeted at $471.3 million (regular resources), as shown in column II of table 7 in document E/ICEF/2009/AB/L.1.

C. Policy issues

The Executive Board

1. *Renews* investment funds, with $20.5 million established for 2009;

2. *Authorizes* UNICEF to incur expenditures in the 2009 fiscal period related to the cost of goods delivered (production and purchase of raw materials, cards and other products) for the 2009 fiscal year, up to $30.7 million, as indicated in the Private Fundraising and Partnerships medium-term plan (see table 6 of document E/ICEF/2009/AB/L.1);

3. *Approves* an interim one-month allocation for January 2009 in the amount of $12 million, to be absorbed in the annual PFP budget for 2009.

D. PFP medium-term plan

The Executive Board

Approves the Private Fundraising and Partnerships medium-term plan, as reflected in table 6 to document E/ICEF/2009/AB/L.1.

Annex I

Private Fundraising and Partnerships

Summary of post changes proposed for 2009

Detail	Posts level							Total IP	NO	GS	Grand total
	D2	D1	P5	P4	P3	P2	P1				
Base PAT 2008 approved*	1	4	17	28	43	12	0	105	24	113	242
After changes in 2008 LE	1	4	17	28	43	11	0	104	20	107	231
Establish and abolish											
Marketing			1	7	-7			1			1
Support services			1	-2				-1			-1
RSCs and UNICEF country offices			-1					-1	3	-2	0
Total establish and abolish, PFP	0	0	1	5	-7	0	0	-1	3	-2	0
Total changes, PFP	0	0	1	5	-7	0	0	-1	3	-2	0
Total, proposed 2009	1	4	18	33	36	11	0	103	23	105	231

IP = international Professional; NO = national officer; GS = General Service; RSCs = regional support centres
PAT = post authorization table; 2008 LE = 2008 latest estimate

* The transfer of posts to country office other resources budget was not final when the document was presented to the Executive Board.

Annex II

Private Fundraising and Partnerships

Comparison of posts
– 2008 approved budget versus 2009 proposed budget –

	Posts level							Total			Grand
	D2	D1	P5	P4	P3	P2	P1	IP	NO	GS	total
Marketing											
Approved 2008		3	10	14	26	8		61		29	90
Proposed 2009		3	11	21	19	8		62		29	91
Change	0	0	1	7	-7	0	0	1	0	0	1
Support Services											
Approved 2008	1	1	3	9	14	3		31		38	69
Proposed 2009	1	1	4	7	14	3		30		38	68
Change	0	0	1	-2	0	0	0	-1	0	0	-1
Total, PFP headquarters											
Approved 2008	1	4	13	23	40	11	0	92	0	67	159
Proposed 2009	1	4	15	28	33	11	0	92	0	67	159
Change	0	0	2	5	-7	0	0	0	0	0	0
RSCs and UNICEF country offices											
Approved 2008*			4	5	3	1		13	24	46	83
2008 LE			4	5	3	0		12	20	40	72
Proposed 2009			3	5	3	0		11	23	38	72
Change	0	0	-1	0	0	0	0	-1	3	-2	0
Total, PFP headquarters, RSCs and UNICEF country offices											
Approved 2008	1	4	17	28	43	12	0	105	24	113	242
2008 LE	1	4	17	28	43	11	0	104	20	107	231
Proposed 2009	1	4	18	33	36	11	0	103	23	105	231
Change	0	0	1	5	-7	0	0	-1	3	-2	0

IP = international Professional; NO = national officer; GS = General Service; RSCs = regional support centres

* The transfer of posts to country office other resources budget was not final when the document was presented to the Executive Board.

Annex III

Private Fundraising and Partnerships

Business plan for 2009-2011

1. The Executive Board, at its first regular session of 2002, requested the Private Sector Division to submit, as part of its work plan and budget proposal for 2003, a comprehensive business plan to be updated annually (decision 2002/6, E/ICEF/2002/8/Rev.1), detailing the division's contribution to the medium-term strategic plan (MTSP) of UNICEF. The current update of the business plan covers the years 2009-2011.

I. Introduction

2. This business plan for 2009-2011 incorporates a series of strategic reviews undertaken by PFP. The strategies and projections have been fine-tuned in the context of the newly formed PFP, which merges various functions of the former Private Sector Division, the Regional Office for Europe (Geneva Regional Office) with the JSP process. The business plan is based on:

(a) The MTSP and the Millennium Development Goals, which determine the overall organizational and strategic priorities of UNICEF. The MTSP ultimately guides private fund-raising and National Committee fund-raising and advocacy activities in terms of financial targets, investment priorities and brand development-related communication with the general public and institutional and private donors;

(b) The global private fund-raising strategy for 2006-2010, which addresses the global donor community within the private sector, including individual donors, corporations and organizations;

(c) The global cards and gifts strategy for 2005-2009 and the outcome of the strategic review of the cards and gifts business, completed in 2008, outlining the future direction and business model to be pursued to maximize unrestricted income from cards and gifts and to leverage its outreach potential with individuals and companies;

(d) The strengthened JSP process, with increased capacity in the areas of strategic direction and partnership management with National Committees. The JSP is a forward-looking strategic action plan and assessment tool for each National Committee in terms of income generation, leadership, advocacy and education for development, communication, and management of financial contributions. The JSP provides insight into the strengths of the individual National Committees within their environment, and aims at optimizing revenue growth with available human and financial resources. With the strengthened support capacity in PFP, each National Committee is targeted to have a well assessed and regularly updated and realistic strategic action plan;

(e) Streamlining country office private fund-raising (COFR). Agreement was reached in 2007 to further develop a COFR strategy by identifying and establishing priority markets with greatest income potential to the organization, based on the

strategic long-term intent of all private fund-raising, to increase the level of regular resources. The implementation of this strategy will continue in 2009;

(f) The brand model for UNICEF, which defines the vision, positioning, values and essence of the organization. It provides the framework for the relationship among the brand properties, the MTSP, communication and the fund-raising and sales strategies.

II. Challenges for PFP

3. To implement the strategies described below, it is vital that the appropriate structures, capabilities, and work processes are in place. These efforts will involve several elements:

(a) *Drive synergy and integration in all areas — sales, fund-raising, corporate alliances and communication.* While progress in this area is slowly being made, it is clear that PFP, National Committees and UNICEF country offices will need to work in closer alignment when formulating target groups and channels in annual resource mobilization plans, campaigns and emergency efforts. In addition, cross-selling activities between customers and donors need to be increased so that more UNICEF card and gift buyers will make donations and more donors will buy cards and gifts;

(b) *Ensure shared objectives and direction across the entire organization.* As was done in 2007, an annual review and renewal process of the global strategies will take place, with the involvement of the entire organization, aiming to reinforce widespread commitment to the strategies and to create consensus on any corrective action needed to ensure achievement of goals;

(c) *Increase organizational capacities.* PFP will continue management training while also developing a functional training curriculum for the organization. In addition, for both UNICEF and the National Committees, investment will continue to be made in the hiring of people with capabilities in strategically important business areas;

(d) *Foster leadership and accountability and encourage teamwork.* This will be accomplished through the training programme, clear expectation-setting in individual work plans and performance evaluation reviews, and role-modelling by supervisors;

(e) *Build expertise and foster a "search and reapply" culture.* The biannual strategic marketing meetings will continue to serve as venues for sharing best practices and knowledge through "share and compare" sessions. In addition, the relaunched Marketing Knowledge Centre online sales site will enrich efforts to share best practices internationally. The feasibility of introducing the Global Initiative for Fundraising Technique (GIFT) training clinics for sales — already a successful practice in fund-raising — will be evaluated.

III. Fund-raising

A. Introduction

4. One of the roles of the Think Tank, a group of senior fundraisers from National Committees and UNICEF, is to monitor implementation of the global fund-raising strategy and recommend corrective action to the wider family of fundraisers in UNICEF. At its meeting in March 2008, the Think Tank reviewed results for 2007 and concluded that reaching the targets for 2010 without major media-driven emergencies (as in 2006 and 2007) was increasingly out of reach. The global financial crisis further emphasizes the need for focused analysis and strategies for securing growth.

5. A number of corrective actions have been identified, based on actual results and trends. A working group continues to evaluate these options and will make recommendations. Key elements for attention and action are as follows:

(a) Successful pledge recruitment was a key driver for markets with impressive growth;

(b) While direct mail is losing ground, cash-giving is still growing through media and integrated direct marketing;

(c) Legacies offer promising opportunities — relatively limited investments and dedicated PFP support can show good returns;

(d) Major donor fund-raising remains a challenge for UNICEF, with its firm "little from many" tradition. The new Programme Donor Matching unit and the Major Donor Specialist will support and push growth in these areas. The Regional Office for Latin America and the Caribbean is pioneering a "venture philanthropy" programme, to be launched in 2008;

(e) With the establishment of the Corporate Social Responsibility unit in 2008, there is stronger coherence with corporate fund-raising, which will help efforts to meet the requirements of the corporate community.

B. Central Fundraising

6. The introduction of the fund-raising specialist role in the Central Fundraising team (Digital Fundraising, Donor Analytics, Face-to-Face, Major Donor and Television) has yielded increased strategic support to National Committees through the JSP and other work planning and training sessions. The fund-raising specialist's technical expertise offers strategic advice, helps to develop tactical plans at the country level and offers hands-on training in building relevant organizational resources and capabilities across the UNICEF family. It is intended that this function will develop further in 2009, resulting in the recruitment of significantly increased numbers of new monthly givers to UNICEF.

7. The fundraisers' Intranet site, MKC (Marketing Knowledge Centre) Online, was relaunched after a year of development work in June 2008. It features greatly increased functionality and analysis of global learning from many specialist editors, which enhances the huge fund-raising repository. This and all other PFP Intranet

sites, to be rolled out during 2008 and 2009, can be integrated into a coherent PFP presence for National Committees and country office fundraisers.

8. The most recent annual Fundraising Forum set new levels for attendance and quality of content. Planning for 2009 is well under way to ensure even more learning for participants, who will gather to discuss UNICEF experiences from around the world, developments in the global fund-raising sector and potential improvement to the efficiency of future activities. A key focus will be the analysis of the impact of the financial crisis on fund-raising income.

9. The new Innovation and Development unit, launched at the end of 2007, has brought to scale a number of current fund-raising projects, e.g., "Schools for Africa" and "Inspired Gifts". Its added value is in the development of new tools, guidelines, concepts and content. Currently under development are a number of new initiatives that have been strategically chosen to meet programmatic needs and market potential, striving to achieve a balanced portfolio of centralized fund-raising offers, such as the one on combating malaria. It is driving fund-raising innovation throughout PFP by identifying and supporting innovative fund-raising initiatives with the potential to be replicated or expanded, in order to regain the momentum required to meeting the targets of the global fund-raising strategy.

10. In 2008 and 2009, the unit will revitalize and step up the fund-raising activities for Unite for Children, Unite against AIDS, including the successful "Time to Draw the Line" monthly giving programme that complements the existing UNICEF monthly giving programmes.

11. A key component of the private fund-raising strategy is listening to private donors, and in particular to private individuals who support UNICEF. The aim is to better understand their needs and to better respond to their demands, as reporting to donors about UNICEF helps to retain their loyalty. The programme-donor matching unit supports the organization's increased emphasis on raising more flexible funds, including regular resources and thematic other resources; allocating private resources from major donors, corporations and foundations to priority strategic sectoral and geographic areas; and developing relevant policy.

12. Market Knowledge will now encompass market measurements, covering market size estimates, market shares, competitive analysis and trend tracking, among other areas. It will not only provide research data but also integrate public opinion findings with other market measurements, competitive analyses, and trend information to address the organization's questions in a 360-degree manner. The scope of new research now encompasses corporate partnerships, communications and media analyses.

13. Capacity-building among National Committees and selected country offices will remain a high priority in the pursuit of successful fund-raising alliances with the corporate sector. Corporate and Foundation Fundraising will work with key markets to grow existing national-level relationships into more lucrative regional or global partnerships. Another focus is working with the relevant units within UNICEF to take advantage of non-cash resources, including technical expertise, from the corporate sector.

IV. Cards and Gifts

A. Introduction

14. The year 2009 represents a turning point for UNICEF Cards and Gifts. PFP, together with the National Committees and country offices, will begin the implementation of the recommendations of the 2007/2008 strategic review approved by the Office of the Executive Director, and will start a major re-engineering of the cards and gifts business model, expected to continue through the period 2009-2011.

15. The strategic review of the Cards and Gifts business was initiated as a result of a number of identified needs:

(a) Rationalize the non-strategic functions of the business, to improve cost efficiency and expand the brand's reach through wider distribution channels;

(b) Review the current operations in order to remove the barriers to sales growth;

(c) Bring business practices in line with best practice.

B. Strategic role

16. The strategic review recommended that Cards and Gifts continue to play a strategic role for UNICEF, as it has in the past 60 years. The combined role of public engagement and income generation represents a unique value of UNICEF Cards and Gifts while simultaneously providing an effective communication tool. Specifically, four roles have been identified for Cards and Gifts:

(a) *Income generation.* Sales of cards and gifts provide an important source of unrestricted regular resources from the private and also contribute indirectly to the generation of fund-raising income through cross-cutting activities.

(b) *Public engagement.* Cards and gifts reach each year more than 200 million individuals and companies and appeal to many different socio-demographic target groups. The number of consumers reached is higher than that for any other fund-raising activity.

(c) *Volunteer engagement.* Some of the largest and most successful National Committees owe part of their effectiveness to the existence of large volunteer groups, which were first established to sell UNICEF greeting cards and products. While this is changing, card and gift sales still attracts volunteers to UNICEF, particularly in some of the large National Committees where the activity is considered integral to the overall engagement of volunteers and thus to the success of the National Committees.

(d) *Image building.* Quantitative evidence indicates that people who are reached through UNICEF products have better knowledge and deeper perception of the mission of UNICEF and its work for children.

17. Cards and gifts still present a potential to grow income and public engagement, as UNICEF has less than a 1 per cent share of the global greeting cards market. Currently, the UNICEF card offer is limited to the "Christmas and New Year" market segment. UNICEF is hardly present in retail, where the bulk of greeting

cards is purchased, particularly the "everyday" and "special occasions" single cards segment, which represents 60 per cent of the total card market. Similarly, UNICEF has significant opportunities to grow income and public engagement in the gifts market. Allowing a year-round presence in the market, gifts have a strategic value for UNICEF, as they reach a broader range of target groups than cards do. Gifts can also convey strong messages about the work and mission of UNICEF through their design or with complementary messaging.

C. New business model

18. The strategic review of the current business model concluded that the heavy concentration of in-house activities presents several limitations to income and public engagement growth. A new business model, named the "Partnership" model, to be adopted in 2009, assumes that UNICEF will: (a) pursue a comprehensive rationalization of the current in-house business; and (b) use a mix of in-house and licensing activities, aimed at maximizing income at country level and entering new market segments and channels with high-income potential.

19. The Partnership model foresees the implementation of a number of rationalization principles to radically transform and simplify the current in-house Cards and Gifts operations; aiming to improve their efficiency and effectiveness in supporting those countries that will continue to need central support to market a cards and gifts collection.

20. The rationalization ideas believed to have the greatest impact on future cost structure, management simplification and organizational responsiveness include the following:

(a) Combining and outsourcing some activities and functions currently performed by National Committees and country offices, such as overprinting of corporate cards and e-commerce order fulfilment;

(b) Outsourcing the creative development and quality control function of cards, gifts, points of sale and promotional material;

(c) Outsourcing the development and production of country-specific points of sale, catalogues and promotional material;

(d) Outsourcing the entire logistic and distribution activities of UNICEF, currently performed by PFP, the National Committees and the country offices, to a global third party;

(e) Creating an in-house Customer Service Unit providing strategic leadership to the logistic and distribution third party and managing at the strategic relationships with countries.

21. Particularly the outsourcing of the entire logistic and distribution activities of UNICEF has the potential to make a positive impact. It would significantly improve UNICEF inventory management and reporting accuracy and greatly simplify the in-house management of the overall cards and gifts business, of which the operations represent the more labour-intensive part. It is anticipated that this rationalization will require a full review and likely lead to changes in the following areas:

(a) Logistics support and structure;

(b) Information-sharing between sales partners and Operation and Support Services;

(c) Warehousing configuration;

(d) SAP system adaptation;

(e) Inventory management.

22. In 2009, PFP will identify specialized third parties who would be able to take over in-house activities and functions. The transfer of some in-house business processes and functions will start in 2009, with the bulk to take place in 2010. The entire rationalization process is expected to be completed by the end of 2011, including the full outsourcing of logistics and distribution — the most complex project but also the one with the highest potential impact.

23. The development of partnerships with greeting cards and gifts manufacturers as well as with retailers will be the other major strategy pursued in 2009-2011. The pilot partnership started in the United States with Hallmark in 2006 has proven to be the right approach. The partnership has helped UNICEF to achieve a broader presence in the retail market, including the everyday single-cards segment. In 2009, PFP will continue to develop new partnerships in other countries; negotiations have already started.

D. Managing change

24. The year 2009 will be very challenging for UNICEF Cards and Gifts. In addition to managing the ongoing business, PFP, the National Committees and the country offices will require additional resources to define and drive the transformation. Provisions have been made in the 2009 budget to cover the expected need of a dedicated change management consultant as well as other specialized consultants to support the lead team for internal change, established with representatives from all stakeholders, in adopting the new business model and implementing the rationalization ideas.

25. PFP has regrouped all functions and activities related to Cards and Gifts, including Operations and the Inventory, Planning and Sales unit. This change will help to drive better integration and synergies among the various business units, mirroring the typical structure of private companies, and facilitate the adoption and implementation of the new business model.

26. As a first step in the rationalization of the supply chain, the New York office operations, following the closure of the warehouse at the end of 2008, will concentrate on providing effective support to North and South America as well as the Pacific Rim markets. Coordination with the Geneva-based operations will determine production quantities that are economically effective in a downsized market. Emphasis will be placed on catalogue printing, large-lot card printing and the Japan fund-raising mailing requirements.

27. The operations teams based in New York and Geneva will continue to focus on producing and delivering, on time and at the lowest cost, consumer and corporate collections, samples and catalogues to partners as well as National Committees and country offices. Support will be given to retail deals for new partners, in particular those offered by hypermarkets and post offices. Reducing inventory levels of

finished products in all locations and optimizing the allocation of work between Geneva and New York will receive prime attention as key strategies to compensate for the expected cost increases for raw materials and transportation. These efforts will help keep the overall cost of goods in line with previous levels — 20 per cent of total sales.

28. The midterm projections for the period 2010-2013 reflect a moderate growth of gross and net proceeds (about 4 per cent per year) and maintain the current cost structure for goods and operating expenses. Numbers are expected to improve in 2010, once the implementation of the partnership model has made the expected impact on revenue and costs.

V. National committee relations and country support

29. The merging of the current four Brand groups and the Regional Office for Europe planning function into five country support teams, and the addition of strategic direction and a National Committee secretariat, will provide National Committees with one entry point for support in fund-raising, sales, advocacy; education for development, communication, capacity building and long-term planning of financial and non-financial goals. The planned creation of an additional country support team will allow for a greater focus on emerging markets in middle-income countries and on nascent National Committees, so that UNICEF does not miss out on short-term and long-term private fund-raising gains and potential in theses areas.

VI. Communication

30. The communication unit will support both short-term communication work of National Committees and long-term targets in brand positioning. The visibility of child-related issues and UNICEF activities in emergency situations is crucial to securing optimal fund-raising results. The unit will seek to ensure that National Committees are provided with timely and appropriate information. The communication support to the JSP process will ensure effective positioning of the UNICEF brand in National Committee countries and build capacity among communication staff in the National Committees themselves. The ongoing strategic communication review will provide further recommendations with regard to the integration and role of the communication function in PFP.

VII. Support services

A. Finance and administration

31. The finance section has been restructured to better support business processes and to provide more robust financial and analytical support to country and technical teams, and strengthened forecasting and monitoring of private remittances.

32. In 2008, two of the units in Finance, Business Analysis and Budget were merged into one unit, Budget and Analysis, to streamline and harmonize the financial planning, analysis and budgeting process and to improve services provided

to internal clients. The strengthened structure aims at providing enhanced financial support to the JSP, as well as annual planning and monitoring, and to the coordination with the National Committee Relations teams and regional support centres. Key responsibilities also include the preparation, management and dissemination of financial information to facilitate informed and effective decision making.

33. The Accounts Unit has the full responsibility and accountability for all financial accounting, cost accounting for cards and gifts, and preparation of the financial report for the Executive Board. The adopted structures and redefined processes respond better to the demands of a more complex business entity. The unit is also responsible for the forecasting of all remittances and the monitoring of all amounts due UNICEF.

34. PFP will implement relevant changes to the United Nations accounting standards that are driven by IPSAS by 2010. Elevated targets and redefined fund-raising strategies for country offices are also creating challenges for better financial control and monitoring of fund-raising strategies and activities in those countries. Enhanced processes, procedures and new systems are being identified and implemented to support and monitor these activities.

B. Policy and monitoring

35. The Policy and Monitoring unit, established in 2008, focuses on governance and monitors the performance of partners. Initial challenges have been the recruitment of appropriate staff with the specific mix of required skills and the need to identify the priorities among the many issues to be addressed.

36. Policy and Monitoring aims to enhance performance by improving review mechanisms in a variety of areas. The unit works externally with National Committees to strengthen their governance structures and monitoring systems, and works to strengthen the effectiveness of the collaboration between UNICEF and National Committees. Improved governance, increased accountability, transparency, appropriate risk management, sharing of best practices, and improved compliance are among the expected results of the work of this new unit, both within PFP as well as in National Committees.

37. The main responsibilities and deliverables for 2009 include the following:

(a) Revising the Cooperation Agreement between UNICEF and National Committees;

(b) Addressing governance challenges in National Committees identified by a global self-assessment exercise;

(c) Ensuring that issues associated with risk management and fraud prevention are addressed properly. The unit will also support National Committees in developing their own risk management processes, and will develop mechanisms to anticipate and address potential crisis situations, including identification of early warning indicators;

(d) Coordinating PFP responses to related internal audit recommendations and ensuring that appropriate legal assistance and counsel are available.

C. Human resources

38. Human resource management and staff relations have faced serious demands during the challenging restructuring period. Various training and learning activities will require additional attention in 2009 so that PFP can respond to the needs of both the new and existing staff in the changing environment, including in acquiring the required enhanced skills.

39. Special attention will be paid to involving all the staff and informing them on a timely basis about the progress made on the implementation of the new cards and gifts business model and about any potential impact that this may have on their work. Career planning and training support will be provided for affected staff.

D. Information technology

40. PFP implemented an improved exchange of information with National Committees in 2007, as well as improved reporting from UNICEF country offices. Cognos Enterprise Planning (EP) software provides improved information-gathering methods and transparent reporting — in collection, submission and consolidation of revenue and expenditure information from all offices as well as in the use of an electronic remittance advice, which facilitates forecasting and following all receivables. Additional areas for EP implementation during the plan period will be JSP, budgeting, and electronic investment fund processing and reporting.

41. A number of IT-supported projects have been planned for 2008/2009, with the goal of creating institutional knowledge that can be shared online. The anticipated upgrade of the Cognos EP software will allow for improved handling of text documents and events management. The establishment of an integrated business intelligence environment will give access to data warehouse, Cognos EP and SAP data. For knowledge management, the Intranet pages will be further streamlined and improved for internal communication, as well as for sharing of best practices with National Committees. The market knowledge centre will provide updates on latest research data while document management will focus on updates of key private sector documents. Interactive collaboration is also facilitated by the development of systematically maintained and updated National Committee directories.

42. An IT training programme is part of the new staff induction process, and all IT support and services are provided to PFP through UNICEF Common Services.